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Attorneys for Debtor and
Debtor-in-Possession

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

* * * * *

IN RE:

Case No. 09-54485
(Chapter 11)

SKYE INTERNATIONAL, INC.
a Nevada corporation,

**APPLICATION FOR ORDER
AUTHORIZING DEBTOR TO
EMPLOY ATTORNEY FOR
SPECIAL PURPOSE (11 U.S.C.
§327(e)) [PARSONS & GOULTRY]**

Debtor.

Hrg. DATE: 12-21-09
Hrg. TIME: 11:00 A.m.
Est Time: 10 mins
Set by: Pursuant to Ex Parte
Motion for Order to Hear First Day
Motions on Shortened Time

TO: The Honorable Gregg W. Zive, United States Bankruptcy Judge

COMES NOW SKYE INTERNATIONAL, INC., a Nevada corporation, Debtor
and Debtor-In-Possession herein ("Debtor"), by and through its attorney of record,
STEPHEN R. HARRIS, ESQ., and CHRIS D. NICHOLS, ESQ., of BELDING, HARRIS &
PETRONI, LTD. and file its APPLICATION FOR ORDER AUTHORIZING DEBTOR TO
EMPLOY ATTORNEY FOR SPECIAL PURPOSE (11 U.S.C. §327(e)) [PARSONS &
GOULTRY], and alleges as follows:

1 1. A Voluntary Petition for Relief under Chapter 11 of the United States
2 Bankruptcy Code was filed by the Debtor on December 16, 2009. The Debtor is a
3 designer and manufacturer of electric tankless water heaters which provide significant
4 energy efficiency, cost-savings and water-savings to millions of customers in this country.
5 Debtor distributes its products widely throughout the United States primarily through the
6 wholesale distribution channel. Recent distribution channels currently being tested
7 include door-to-door direct, as well as sales to plumbers and consumers directly through
8 the internet
9

10 2. STEPHEN R. HARRIS, ESQ., and CHRIS D. NICHOLS, ESQ., of
11 BELDING, HARRIS & PETRONI, LTD., were appointed pending the general bankruptcy
12 counsel for the Debtor.
13

14 3. Debtor continues to conduct its business in a Debtor-In-Possession
15 status.
16

17 4. Debtor is a publicly traded entity traded over the counter with a stock
18 trading symbol of SKYI. The Debtor requires the appointment of additional special patent
19 counsel in connection with matters arising under federal patent and trademark laws and
20 other related matters as may be required from time to time.

21 5. Pursuant to the provisions contained in 11 U.S.C. Sections 327(e) and
22 1107(b), the Debtor hereby applies to the Court to appoint ROBERT A. PARSONS,
23 ESQ., and his law firm PARSONS & GOULTRY, to act as special counsel to represent
24 the Debtor's interests, as more specifically set forth in Paragraph 4 above. The
25 appointment of ROBERT A. PARSONS, ESQ., and his law firm PARSONS & GOULTRY,
26 to represent the Debtor in this case is in Debtor's best interests and would be the most
27 efficient manner of proceeding for the bankrupt estate.
28

1 6. The consideration agreed to be paid to ROBERT A. PARSONS, ESQ.,
2 and the members of his law firm PARSONS & GOULTRY, subject to the approval of the
3 United States Bankruptcy Court, is to employ the attorneys under a general retainer
4 based on time and standard billable charges in effect on the date services are provided.
5 The law firm shall be paid for its normal actual time charges and disbursements. The
6 Debtor has agreed that ROBERT A. PARSONS, ESQ., and all members of his law firm
7 who subsequently are admitted to practice in this case, shall be compensated for
8 services at their current standard hourly rates. The professional time of attorneys and
9 legal assistants will be taken into account at scheduled hourly rates based on the nature
10 of the matter, years of experience, specialization, and level of professional attainment of
11 attorneys and legal assistants assigned to the various matters. The present hourly rate
12 for ROBERT A. PARSONS, ESQ., is \$320.00 per hour. PARSONS & GOULTRY'S
13 engagement letter is attached hereto as **Exhibit "A"** and incorporated herein by
14 reference. The fees also include charges for reasonable and necessary third-party and
15 staff services employed in the course of the representation, such as long distance
16 telephone calls, postage, messenger service, photocopying, filing fees, travel, and
17 computerized legal research. These are separately itemized on the law firm's statements
18 based on the services involved and out-of-pocket disbursements incurred. These are the
19 customary rates charged by said law firm. Finally, this basis of compensation is
20 authorized pursuant to Sections 328(a) and 331 of the Bankruptcy Code.

21 7. ROBERT A. PARSONS, ESQ., has indicated his willingness to act on
22 behalf of the Debtor, and to be compensated in accordance with the terms and conditions
23 set forth in Paragraphs 5 and 6 herein. To the best of Debtor's knowledge, ROBERT A.
24 PARSONS, ESQ., and his law firm PARSONS & GOULTRY, do not have any connection
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1 with the Debtors other attorneys or accountants, which would or could affect the scope of
 2 retention agreed upon hereon, and no connection to any person in the office of the United
 3 States Trustee, and represent no interest adverse to the estate in matters upon which he
 4 is to be retained. ROBERT A. PARSONS, ESQ., and his law firm PARSONS &
 5 GOULTRY, have represented the Debtor as to patent and trademark matters since
 6 August, 2004, and there is an outstanding pre-petition balance of \$11,978.00. Based on
 7 the education and prior legal experience of ROBERT A. PARSONS, ESQ., and members
 8 of his law firm PARSONS & GOULTRY, the Debtor believes his employment is in the
 9 best interests of the estate and that his education and experience will save the estate
 10 considerable expense.
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12
 13 **WHEREFORE**, the Debtor requests the entry of an order authorizing the
 14 employment and retention of ROBERT A. PARSONS, ESQ., and his law firm PARSONS
 15 & GOULTRY, as the Debtors attorney for special purpose, pursuant to the terms and
 16 conditions recited above, to represent the Debtor as set forth herein, and for such other
 17 and further relief as the Court deems just under the circumstances.
 18

19 DATED this 16th day of December, 2009.


20 STEPHEN R. HARRIS, ESQ.
 21 CHRIS D. NICHOLS, ESQ.
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VERIFICATION

I, GREGG JOHNSON, Executive Vice-President of the Debtor SKYE INTERNATIONAL, INC., a Nevada corporation, declare under penalty of perjury that I have read the foregoing APPLICATION FOR ORDER AUTHORIZING DEBTOR TO EMPLOY ATTORNEY FOR SPECIAL PURPOSE (11 U.S.C. '327(e)) [PARSONS & GOULTRY], and that the contents contained therein are true and correct to the best of my knowledge, information and belief.

DATED this 15th day of December, 2009.



GREGG JOHNSON, Executive Vice-President
SKYE INTERNATIONAL, INC

EXHIBIT “A”

EXHIBIT “A”

PARSONS & GOLTRY

Robert A. Parsons, P.C.*
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Michael W. Goltry, P.C.*†
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ATTORNEYS AT LAW
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*Registered United States Patent Attorney

†Also Licensed in Idaho

Tankless Systems Worldwide, Inc.
Attn: Lawrence G. Ryckman
7650 E. Evans Rd, Suite C
Scottsdale, AZ 85260

Re: Terms of Engagement

Dear Larry:

The purpose of this letter is to formalize our Lawyer/Client relationship as required by the Arizona State Bar. We ask that you carefully review this letter. If it meets with your approval, please sign the letter and return it to us.

Parsons & Goltry ("Lawyer") is representing **Tankless Systems Worldwide, Inc.** ("Client") in conjunction intellectual property matters. Lawyer will provide ongoing intellectual property legal services to Client as requested in the nature of domestic and/or foreign patent and trademark filing and prosecution services and associated legal counseling. With respect to obtaining intellectual property protection outside the United States, Client agrees that Lawyer cannot be held responsible for any malpractice committed by the foreign associates engaged to assist Lawyer in processing foreign applications. Also, we utilize outside contractors for patent searching and patent drawing services, with which we have a confidential relationship.

Unless otherwise indicated, services performed by Lawyer are based on an hourly rate billing schedule. Lawyer's currently hourly rate billing schedule is \$320/hour, and is subject to change. Preparation of patent and trademark applications and associated prosecution costs are generally billed on a fixed rate billing schedule, in which Lawyer will provide written fee estimates prior to performing such services. Representation relating to the preparation and filing of Applications is subject to legal fees, as are subsequent legal services relating to prosecuting Applications through the United States Patent and Trademark Office ("Office").

Client is informed and understands that a lawyer is prohibited from representing clients with conflicting interests in the same or a substantially similar matter. Client is informed and understands that Lawyer has conducted a conflict check and no conflict of interest exists between Client and any other present or former client of Lawyer at this time.

Client may discharge Lawyer at any time by written notice effective when received by Lawyer. Notwithstanding the discharge, Client agrees to pay Lawyer all reasonable attorney's

Terms of Engagement

fees for all services provided prior to being discharged. Lawyer may withdraw at any time as permitted under the Rules of Professional Conduct of the United States Patent and Trademark Office and the State Bar of Arizona. The circumstances under which such withdrawal is permitted include, but are not limited to, the following: (a) the Client consents, or (b) the Client's conduct renders it unreasonably difficult for Lawyer to carry out the employment effectively.

If a dispute arises between Lawyer and Client regarding a claim of attorney malpractice under this Agreement, the parties expressly agree that such dispute shall be submitted to binding arbitration before one attorney arbitrator assigned by the American Arbitration Association ("AAA"). The arbitration shall be conducted in Maricopa County, Arizona, and be governed by the Commercial Arbitration Rules of AAA. All expenses of such arbitration shall be borne equally by the parties. All fees incurred in conducting the arbitration, including legal fees, shall be borne by the party who incurred said fee. Lawyer and Client understand that, by agreeing to binding arbitration, Lawyer and Client waive the right to submit the dispute for determination by a court and thereby also waive the right to a jury or court trial. In reaching his or her decision, the arbitrator shall have no authority to change or modify any provision of this Agreement.

PATENTS

Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof. Design patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture. Plant patents may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant.

To obtain a patent, an application disclosing the invention to the Office must be filed. All patent applications filed with the United States Patent and Trademark Office are examined by a patent examiner. Any additional services required by the patent examiner assigned to Client's case during the processing of Client's patent application through the United States Patent and Trademark Office will be billed hourly at \$320.00 plus any required costs. However, no work will be performed on Client's patent case without first consulting Client and obtaining Client's instructions directing Lawyer to perform any additional services. Client is responsible for all government fees related to obtaining a patent.

The Office will communicate with Lawyer with written letters called Office Actions, and, from time to time, telephone calls. Lawyer will communicate with the Office with written letters called Responses, and required telephone calls. Lawyer will communicate with Client with letters and phone calls and may, from time to time, request office conferences with Client.

Receiving Office Actions from the Office is to be expected. Oftentimes minor matters need to be addressed. Other times, it is necessary to argue the patentability of the invention disclosed in the patent application. It is possible that some rejections cannot be overcome, and the ability to go forward with the patent ends unless the patent application is appealed or refiled. Because the matters that arise are not predictable, Lawyer charges for these services at our hourly rate as discussed above. Based on Lawyer's estimation of the amount of time it will take us to respond to an Office Action, Lawyer will be able to give you a firm quote before the work is commenced. This way Client will know the expense prior to the work being performed. Most written responses cost anywhere from \$600.00 to \$2,500.00, but a written response can be less or

Terms of Engagement

more depending on the particular case. It is impossible to estimate the number of responses that will be required in a particular patent case.

It usually takes approximately 2-4 years for a patent to issue after it is filed. This time period is an estimate based on historical data. Some patent applications issue in less than two years, and others issue in more than two years. Lawyer will keep Client fully informed of the status of Client's patent case, and will notify Client in advance of all critical dates for which action may be required.

If Lawyer successfully overcomes any objections or rejections the Office may have raised during patent prosecution, Lawyer will receive a Notice of Allowance from the Office. At this point, an issue fee must be paid to the Office in order for the patent application to mature into an issued patent. Costs associated with an issue fee payment for a **utility** application usually range from between \$1,200.00 to \$1,800.00, including Lawyer's services (filing the issue fee and proofing the patent upon issuance), government fee and formalized drawings.

An applicant for patent should also recognize that patent maintenance fees are required after a patent issues. Three patent maintenance fees are due at 3.5, 7.5 and 11.5 years from the date of issue of the original patent. Maintenance fees do not apply to design patents.

The filing date of an originally filed United States patent application may be accorded to any subsequent foreign patent application filed within one year of the original United States filing date (six months for a design application). As a general rule, if there is a disclosure of an invention by publication or use in the United States, or anywhere else in the world, before the filing date of United States application or before the priority date of an application filed elsewhere, with the exception of the United States and selected other countries, the filing of patent applications in most countries throughout the world is barred. However, there are a number of major country exceptions that allow patent protection to be obtained notwithstanding a prior disclosure of the invention. These exceptions normally arise out of distinctions made between, for example, an inventor's actions, actions of others, actual use or publication of the invention and at official exhibitions.

The one-year time period may be extended by a period of up to eighteen (18) months by first filing a utility application with the Patent Cooperation Treaty (PCT) Office within one year of the original United States filing date. A PCT patent application must eventually be converted to a national patent application for any country in which Client may wish to seek patent rights.

Like a United States case, Client can expect filing fees and patent prosecution fees for any foreign country where Client wishes to seek patent rights in addition to a fee at the time any patent may grant. However, unlike a United States case, many foreign countries begin charging annuity fees (maintenance fees) long before the issuance of the patent.

TRADEMARKS

To obtain a federal trademark registration an application for a federal trademark application must be filed with the Office. All trademark applications filed with the Office are examined by a trademark examining attorney. Any additional services required by the trademark attorney assigned to your case during the processing of your trademark application through the Office will be billed hourly at \$320.00 plus any required costs. However, no work will be performed on Client's trademark case without first consulting Client and obtaining Client's

Terms of Engagement

instructions directing Lawyer to perform any additional services. As with obtaining a patent, Client is responsible for all government fees related to obtaining a trademark registration.

The Office will communicate with Lawyer with written letters called Office Actions. **Receiving Office Actions from the Office is to be expected.** Oftentimes minor matters need to be addressed. Other times, it is necessary to argue a point to allow the registration process to proceed. It is possible that some objections cannot be overcome, and the ability to go forward with the registration ends. Because the matters that arise are not predictable, we charge for these services at our hourly rate as discussed above. Based on our estimation of the amount of time it will take us to respond to an Office Action, we will be able to give you a firm quote before the work is commenced. This way you will know the expense prior to the work being performed.

Robert A. Parsons
Registered Patent Attorney
Registration No.: 32,713
Arizona Bar No.: 013998